



Sino Grandness Food Industry Group Limited

(Incorporated in the Republic of Singapore on 20 April 2007)

(Company Registration No. 200706801H)

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NEWS RELEASE

SINO GRANDNESS 2Q14 NET PROFIT JUMPS 56.5% TO RMB161.2M ON STRONG ORDERS FOR OWN-BRANDED BEVERAGE AND CANNED FOOD PRODUCTS

- 2Q14 beverage segment sales surged 55.2% to record high of RMB534.7m on strong orders for Garden Fresh bottled juices
- 2Q14 domestic canned food products sales up 53.1% to RMB78.6m on higher orders for Grandness canned fruits
- 2Q14 gross profit margin improved to 39.1% from 35.5% in 2Q13 due to improvement in average selling prices for canned products and lower cost of materials for beverage
- New Hubei plant is expected to have a maximum production capacity of 240,000 tons of juices per annum expected to commence mass production in 2H14

Financial Highlights RMB (million)	2Q14	2Q13	2Q14 VS 2Q13	1H14	1H13	1H14 VS 1H13
Revenue	816.6	593.3	+37.6%	1,294.1	967.8	+33.7%
Gross profit	319.4	210.9	+51.4%	506.8	361.5	+40.2%
Gross profit margin	39.1%	35.5%	+3.6ppt	39.2%	37.4%	+1.8ppt
Net profit attributable to shareholders	161.2	103.0	+56.5%	229.8	173.6	+32.4%

SINGAPORE – 13 August 2014 – Mainboard-listed Sino Grandness Food Industry Group Limited 中华食品工业集团有限公司 (“Sino Grandness” or “the Company” and together with its subsidiaries, the “Group”), a Shenzhen, the PRC based integrated manufacturer and distributor of bottled juices and canned fruits and vegetables today reported a positive set of results for the second quarter ended 30 June 2014 (“2Q14”).

Driven by strong demand for own-branded products such as 鲜绿园® (“Garden Fresh”) bottled juices from its beverage segment and 振鹏达® (“Grandness”) canned fruits from domestic canned products segment, net profit attributable to equity holders jumped 56.5% to RMB161.2 million in 2Q14 from RMB103.0 million in the same period last year (“2Q13”). For the first six months ended 30 June 2014 (“1H14”), net profit attributable to shareholders also increased by 32.4% to RMB229.8 million from RMB173.6 million a year ago (“1H13”).

Mr Huang Yupeng 黄育鹏, Chairman and CEO of Sino Grandness said, “I am pleased to report a positive set of results for 2Q14 and 1H14 which showed strong momentum of our own-branded products after the successful outing at the trade exhibition in Chengdu, Sichuan Province PRC in March 2014. The indicative orders secured during the Chengdu Trade Exhibition have been progressively delivered since 2Q14 and I expect the sales momentum for the Group to be sustained into the next quarter which is also historically a strong quarter for the Group in terms of seasonal sales pattern.”

Expanding production capacity for beverage products in 2H14

Mr Huang added, “Our Group has completed installation and trial run at the new juice production facilities in Hubei Province, PRC (“Hubei Plant”) in 2Q14 and expected to commence mass production at the Hubei Plant during the second half of 2014 (“2H14”). The Hubei Plant is strategically located in the centre region of the PRC and is expected to have a maximum production capacity of approximately 240,000 tons of juices per annum. The Hubei Plant is expected to benefit the Group through the gradual reduction in outsourcing costs and also enable the Group to better manage its production volume.”

Strong performance of own-branded products

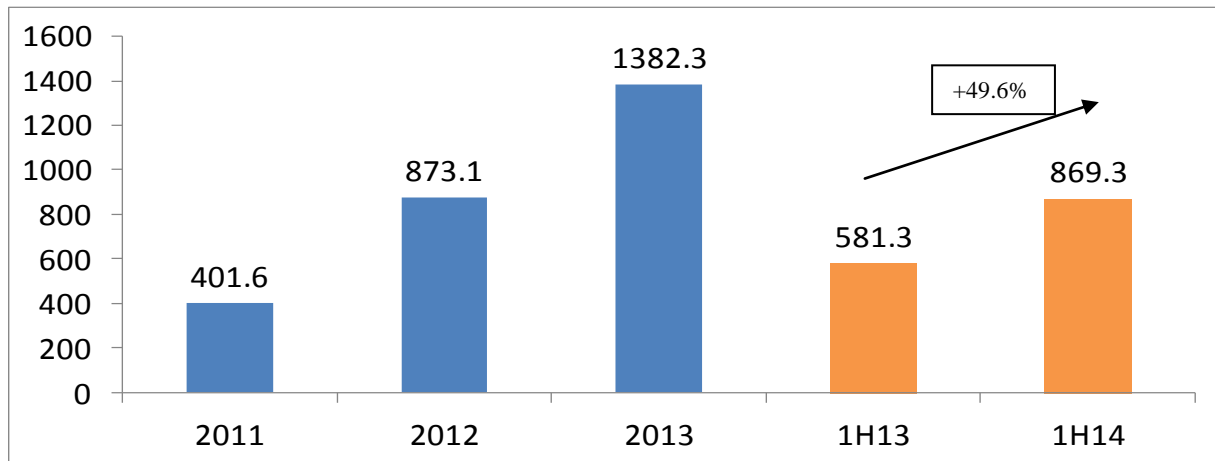
Revenue analysis by segments:

	2Q			Half Year (HY)		
	Apr –Jun 2014	Apr –Jun 2013	Change	Jan – Jun 2014	Jan – Jun 2013	Change
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<u>Canned products</u>						
- overseas	203,372	197,591	2.9	305,841	305,469	0.1
- domestic	78,566	51,323	53.1	119,024	81,108	46.7
<u>Beverage</u>	534,653	344,397	55.2	869,281	581,258	49.6
<u>Total</u>	816,591	593,311	37.4	1,294,146	967,835	33.7

In 1H14 the Group’s revenue rose by 33.7% to RMB1,294.1 million from RMB967.8 million in 1H13. In 2Q14 the Group’s revenue increased by 37.4% to RMB816.6 million from RMB593.3 million in 2Q13. The increase was mainly due to strong demand for own branded beverage and canned products. In particular, sales of beverage segment which comprised Garden Fresh juices surged 49.6% to RMB869.3 million in 1H14 from RMB581.3 million in 1H13 while sales of domestic canned products segment jumped 46.7% to RMB119.0 million in 1H14 from RMB81.1 million in 1H13. In 2Q14, beverage segment sales surged 55.2% year-on-year to RMB534.7 million while domestic canned products segment sales up 53.1% year-on-year to RMB78.6 million. The strong sales performance was mainly due to higher orders for Garden Fresh juices and Grandness canned products as well as further expansion of distribution network in the PRC market.

Strong Growth Momentum For Garden Fresh Bottled Juices Continued Into 1H14

Garden Fresh juice sales in RMB million



Improvement in Gross Profit Margin

In 2Q14, the Group's gross profit increased by 51.4% to RMB319.4 million from RMB210.9 million in 2Q13. Overall gross profit margin ("GPM") for the Group in 2Q14 improved to 39.1% from 35.5% in 2Q13. In 1H14, the Group's gross profit increased by 40.2% to RMB506.8 million from RMB361.5 million in 1H13. Overall GPM in 1H14 improved by 1.8 percentage points to 39.2% from 37.4% in 1H13. The improvement in GPM for the Group was mainly due to improvement in gross profit margins for all product segments. The increase in GPM for domestic and overseas canned products segments was largely due to improvement in average selling prices while the increase in GPM for beverage segment was largely due to lower cost of raw materials.

Outlook

Chinese consumers, as a result of improved living standards, have shown increasing awareness on health and wellness. They have become more concerned about the quality and safety of food consumed. Both sustained growth in consumer spending and heightened health and wellness awareness augur well for the fruit juice and canned fruit industry in China. As such, the Group remains optimistic about the growth prospects of its own-branded products including Garden Fresh juices and Grandness canned fruits.

To capitalize on the potential growth opportunities ahead for Garden Fresh juices, the Group will continue to focus on four key areas to drive growth, namely:-

1. Advertising and promotional activities to further increase awareness and brand value of our in-house brands in particular Garden Fresh and Grandness;
2. Sales and marketing efforts to expand our distribution network for domestic and export markets;
3. Expansion of production capacity at strategic locations and
4. Research and development efforts to expand its range of products in order to appeal to a broader group of consumers.

The Group will continue to participate in various exhibitions and tradeshows in order to expand its distribution network and increase awareness of our products and in-house brands. Further to the success of securing sizeable indicative orders and engaging new distributors at the Chengdu Trade Exhibition, the Group has also initiated discussions with potential customers as well as making preparations to commence its export business for its beverage products.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in FY2014.

Update on Proposed Spin-off

In February 2014, the Group updated that it has engaged relevant professional parties during the fourth quarter ended 31 December 2013 to commence work related to the Proposed Spin-Off of its beverage segment under its wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited and its group of subsidiaries for a listing on an internationally recognised stock exchange (“Proposed Spin-Off”). The relevant work for the Proposed Spin-Off is still on-going and the Company will keep shareholders updated on material developments as and when appropriate.

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About Sino Grandness Food Industry Group Limited

Headquartered in Shenzhen the PRC, Sino Grandness is an integrated manufacturer and distributor of own-branded 鲜绿园® (Garden Fresh) juices as well as various canned fruits and vegetables under in-house brand as well as on OEM basis. Since its establishment in 1997, the Group has rapidly grown to become one of the leading brands for loquat fruit juice in China and top exporters of canned asparagus, long beans and mushrooms from China. The Group’s products are distributed globally across Europe, North America and in Asia, in renowned supermarkets, discount stores and convenience stores including as Lidl, Rewe, Carrefour, Walmart, Huelpeden, Coles, Jusco and Metro.

With stringent quality control and procedures implemented in its manufacturing processes, Sino Grandness’ canned products are compliant with international standards, including Hazard Analysis and Critical Control Point (“HACCP”) food safety system, British Retail Consortium (“BRC”), International Food Standard (“IFS”) and International Organization for Standardization (“ISO”) certifications. As such, Sino Grandness is able to export its canned products to customers globally including the European Union, which has enforced import restrictions (commonly known as “Green Barriers”) since 2000 on the grounds of environmental and food safety issues.

Sino Grandness’ production plants in China are strategically located in three provinces, namely Shandong, Shanxi and Sichuan – all of which are key agricultural belts. The production bases

straddle different climatic regions so that production activities can be carried throughout the year. The Group's newest plant in Hubei Province is expected to commence mass production of juices in second half of 2014.

In 2010, the Group successfully launched its own-branded bottled juices Garden Fresh, comprising unique fruits such as loquat and hawthorn to target the huge domestic consumer base in China. In recognition of the Group's R&D and brand building efforts, Garden Fresh juices have been accorded the "Innovative, Outstanding and Nutritious Award" by the PRC Food Industry in 2010 as well as "Top 100 Brand in China" by the joint agency of Global times, Asia Brand Association and China Economic Herald in 2013.

Note :

This release may contain predictions, estimates or other information that may be considered forward-looking statements. Actual results may differ materially from those currently expected because of a number of factors. These factors include (without limitation) changes in general industry and economic conditions, interest rate movements, cost of capital and capital availability, competition from other companies and venues for sale/manufacture/distribution of goods and services, shift in customer demands, changes in operating expenses, including employee wages and raw material prices, governmental and public policy changes, social and political turmoil and major health concerns. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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